

**GOVERNMENT OF ANDHRA PRADESH
ABSTRACT**

Shopping Complexes – Urban Local Bodies – Auctioning of shops –
Constructed on the basis of Goodwill – Revised comprehensive guidelines –
Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT(J2) DEPARTMENT

G.O.Ms.No. 198

Dated:08.05.2012.

Read the following:-

1. G.O.Rt.No.535, MA&UD (J1) Dept., Dt.08.07.98.
2. From the DMA, Lr.Roc.No.11030/10/N1, Dt.04.06.2011 &
07.03.2012.

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ORDER:-

In the reference 1st read above, comprehensive guidelines were issued for construction of shopping complexes on Municipal lands for generating adequate resources to meet their revenue and capital expenditure.

2. In the reference 2nd read above, the Director of Municipal Administration, Hyderabad has submitted the revised comprehensive guidelines duly fixing the rent of shops on Municipal lands at on 10% of the market value of the land and requested the Government to modify and issue afresh comprehensive guidelines.

3. Government after careful examination of the matter have decided to accept the above proposal and accordingly, in supersession of the orders issued in the G.O. 1st read above hereby issue comprehensive guidelines for construction of Markets/Shopping Complexes on Municipal Lands goodwill amount basis (Non refundable deposit) as Annexed to this order.

4. The Director of Municipal Administration, Hyderabad shall take further necessary action accordingly.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

**Dr. VIJAY KUMAR
SECRETARY TO GOVERNMENT**

To

The Director of Municipal Administration, Hyderabad.

The Commissioner, Greater Hyderabad Municipal Corporation, Hyderabad.

All the Commissioners of all Municipal Corporations / Municipalities
through C&DMA.

The Commissioner of Printing, Stationary and Stores Purchase
(Printing wing),Hyderabad (with a request to publish in Extra-ordinary
Gazette and furnish 100 copies).

Copy to:

The Law (A) Department.

The Officer-on-Special Duty to Minister for Mpl., Admn.

The P. S to Prl. Secy.,(UD)/Secy., (MA).

//FORWARDED BY ORDER//

SECTION OFFICER

ANNEXURE TO G.O.MS.NO. 198 ,Dt.08.05.2012.

1. The Urban Local Bodies have been permitted under the Municipalities /Corporations Act to take up construction of shopping complexes and letting them to the public by conducting public auction. The auction of shops is on monthly rental basis.
2. Municipal Authorities have to conduct a survey of the prevailing rental values in the vicinity of the shopping complex proposed on Goodwill auction system and arrive at average monthly rental value per Sq.ft. of plinth area for the said shop rooms. The prevailing rental values gathered in the survey in the vicinity of the proposed shopping complex applies both for building and land put together. This rent cannot be adopted for the reason that Goodwill amount (non refundable deposit) is collected for construction of shop rooms from the prospective lessees. It is opined that rent under this scheme has to be collected mainly for the land in question for the reason that cost of construction of shopping complex will be realized from the prospective lessees as Goodwill amount. In this connection it may be stated that, the Revenue (Land Reforms) Department in G.O.Ms.No.100 Dt.02.02.2010 has fixed the standard rate for the grant of Government lands leased for industry and trade purpose at 10% of the current market value of the lands per annum prevailing at the time of grant. Similarly the Municipal Authorities may calculate the rent chargeable for shop rooms constructed under Goodwill auction method and arrive at the annual rent at 10% of the current market value of the land.
3. Whenever a Municipal site for construction of shopping complex is identified, the Municipal Commissioner should shall cause to prepare an appropriate design by an architect. He shall list one or two local architects (at district level) for the preparation of detailed designs and estimates.
4. The Architect should have a good reputation and should be an Income Tax Assessee. A Maximum of 1% of the project Cost can be paid as consultancy fees to the Architect, No advance payment of consultancy fees will be made to the Architect. 50% of the fee will be paid after technical sanction of the estimate is obtained from the superintending Engineer (PH) or the Engineer-in-Chief (PH), as the case may be. The remaining 50% will be paid after the administrative sanction for the project is received from the Government.
5. The design has to be got approved by the Director of Town & Country Planning and the estimate has to be got approved by the Superintending Engineer(PH) or the Engineer-in-Chief(PH) as the case may be as per the existing rules.
6. As a measure to raise revenues for the construction of shopping complex, the proposed shop rooms (as per the approved design) have to be put to public auction. The public auction should be on the basis of Non-refundable deposit(good will)
7. The lease period should be fixed initially for five years and it can be renewed for 3 years @ 33 1/3% excess over the lease amount, and for another period of 3 years @ 33 1/3% excess over the lease amount.

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8. (1) The annual rent chargeable for Markets / Shopping Complexes / Remunerative Enterprises to be constructed under Goodwill amount auction method shall be fixed by the Municipal Council / Municipal Corporation at 10% of the market value of the land as fixed by the Registration Department under the Andhra Pradesh Revision of Market Value Guidelines Rules, 1998.

(2) After getting the technical sanction of the estimate for construction of shopping complex under this method from the competent authority, the estimated cost of each shop room shall be calculated based on the total estimated cost of the shop rooms. The upset price for lease of each shop room by way of the Goodwill amount (non-refundable amount) shall be fixed at an amount equal to the estimated cost of each shop room as calculated above. Public auction should be conducted for the Goodwill amount as stipulated in Rule 12-A of A.P. Municipalities (Regulation of Receipts and Expenditure) Rules, 1968 as subsequently amended. The Goodwill amount shall be paid in four installments namely:

- (i). 25% of the Goodwill amount shall be paid immediately after approval of the bid.
- (ii). 25% of the Goodwill amount shall be paid when construction comes upto lintal stage.
- (iii). 25% of the Goodwill amount shall be paid after the roof is laid.
- (iv). Balance 25% of the Goodwill shall be paid amount at the time of handing over the shop room.

(3) The Commissioner shall prepare a preliminary notice setting forth the terms and conditions subject to which the lease of shopping complexes by way of Goodwill amount will be granted namely:

- (i). The selection of the lessee shall vest in the authority competent to approve the lease.
- (ii). Monthly rent fixed for each shop room
- (iii). Upset price fixed in respect of Goodwill amount for each shop room.
- (iv). A person intending to participate in the auction shall deposit as security such sum as specified in the notice and files a solvency certificate as prescribed in Rule 7(3) (b) of the A.P. Municipalities(Regulation of Receipts & Expenditure) Rules, 1968.
- (v). The lessee shall deposit an amount equal to three monthly installments of the lease amount including the security deposit within a week from the date of confirmation or renewal of the lease.
- (vi). The monthly installments of rent and Goodwill installments shall be paid within the due date as provided in the preliminary notice.
- (vii). The lease deed shall be executed and registered within one month from date of confirmation or renewal of the lease.

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(viii). If the above installments are not paid within one month of the due date, the lease is liable for termination.

(4) The preliminary notice after approval by the competent authority shall be published in the following manner :

- (i). In the District Gazette and in one or more newspapers having wide circulation in the Municipality.
- (ii). In the Office of the Municipal Council, the Collector of the District, the Revenue Divisional Officer concerned, Tahsildar concerned.
- (iii). By announcing through micro-phone wherever it is possible to do so

9. The administrative sanction of the Government for the project should be obtained before putting the shops to public auction. The bid of goodwill in the Public auction should be accepted by the Municipal Council.

10. The identification of site, appropriate selection of architect Design, publicity, auction of shops on the basis of goodwill and execution of work needs to be supervised by a committee at the district level. The Committee will be headed by the Collector and District Magistrate and shall consist of the Regional Director-cum-Appellate Commissioner of Municipal Administration, the Superintending Engineer(PH), the Regional Deputy Director of Town & Country Planning and the Chairpersons and the Commissioners of the Municipalities concerned.

11. The Construction of the shopping complexes should be done most economically with cement flooring and minimum electrical points. The lessees may be permitted to undertake flooring and electrical points as required by them at their own cost. They should not disturb the main structure of the shops rooms, but they can make internal arrangements at their own cost to suit the business. They shall bear the maintenance charges of the shop rooms.

12. The shop rooms shall be handed over to the lessees within a period of one year from the date of entering into agreement with the Municipality after payment of initial deposit.

13. The usual reservations for S.C., S.T., and Physically Handicapped in the matter of letting out the shops will continue. The procedure for auction based on goodwill deposit however being the same.

14. The transaction should be in writing and the relevant agreement should be registered as per law.

**Dr. VIJAY KUMAR
SECRETARY TO GOVERNMENT**